

CITY OF CENTERVILLE  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

Peak & Co., LLP  
Certified Public Accountants  
1370 NW 114<sup>th</sup> St., Suite 205  
Clive, IA 50325

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City of Centerville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January, 2012)</b>		
Marsha Mitchell	Mayor	January, 2012
Bill McAfee	Council Member	January, 2012
Darrin Piatt	Council Member	January, 2014
Rob Lind	Council Member	January, 2012
Darrin Hamilton	Council Member	January, 2014
Wallace "Moe" Carter	Council Member	January, 2012
Kim Crego	City Clerk/Treasurer	Indefinite
Mike Craver	Attorney	Indefinite
<b>(After January, 2012)</b>		
Jim Senior	Mayor	January, 2014
Richard Smith	Council Member	January, 2016
Edwin Brand	Council Member	January, 2016
Rob Lind	Council Member	January, 2016
Darrin Hamilton	Council Member	January, 2014
Randy Marcussen	Council Member	January, 2016
Kim Crego	City Clerk/Treasurer/ City Administrator*	Indefinite
Mike Craver	Attorney	Indefinite

\* - Ordinance creating the City Administrator position became effective in March, 2012.

City of Centerville

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CERTIFIED PUBLIC ACCOUNTANTS  
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CLIVE, IA 50325  
(515) 277-3077

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Centerville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

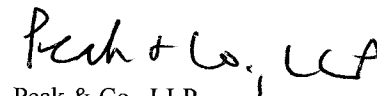
The financial statements referred to above include only the primary government of the City of Centerville, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial data do not include financial data for the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Centerville as of June 30, 2012, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Centerville as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 22, 2013, on our consideration of the City of Centerville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Centerville's primary government financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the primary government financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Centerville's primary government financial statements. Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 31 through 32 are presented for purposes of additional analysis and are not a required part of the primary government financial statements. The information has not been subjected to the auditing procedures applied in our audit of the primary government financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

  
Peak & Co., LLP  
Certified Public Accountants

May 22, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Centerville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- ❖ Receipts of the City's governmental activities increased 8.3%, or approximately \$364,000, from fiscal year 2011 to fiscal year 2012. Bond proceeds, net of payment to refunding agent, increased approximately \$649,000. Capital grants, contributions and restricted interest decreased approximately \$208,000, and sale of assets decreased approximately \$53,000.
- ❖ Disbursements of the City's governmental activities decreased 3.03%, or approximately \$130,000, in fiscal year 2012 from fiscal year 2011. Public works and debt service disbursements decreased approximately \$364,000 and \$291,000, respectively. General government and capital projects disbursements increased approximately \$66,000 and \$402,000, respectively.
- ❖ The City's total cash basis net assets increased 21.52%, or approximately \$973,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$593,000 and the assets of the business type activities increased approximately \$380,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the non-major internal service funds, as well as the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

### BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- ❖ Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- ❖ Business Type Activities include the sanitary sewer system, storm sewer, and the airport. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has three kinds of funds:

(1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

(2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains Enterprise Funds, to provide separate information for the Sewer and Storm Sewer Funds, considered to be major funds of the City. The City also maintains an Airport Fund to provide separate information for this business activity, considered to be a non-major fund of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

(3) Fiduciary funds account for resources held for others. The Fiduciary fund consists of the Water Department Clearing Fund.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$2.585 million to approximately \$3.178 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 387	421
Operating grants, contributions and restricted interest	1,030	990
Capital grants, contributions and restricted interest	39	247
General receipts:		
Property tax	1,762	1,848
TIF	198	202
Local option sales tax	531	473
Grants and contributions not restricted to specific purposes	54	55
Hotel-Motel tax	75	73
Bond proceeds (net of discount)	658	744
Payment to refunding agent	-	(735)
Unrestricted interest on investments	4	3
Other general receipts	4	4
Sale of assets	-	53
Total receipts	4,742	4,378
Disbursements:		
Public safety	1,848	1,699
Public works	574	938
Culture and recreation	344	399
Community and economic development	16	53
General government	345	279
Debt service	212	503
Capital projects	816	414
Total disbursements	4,155	4,285
Change in cash basis net assets before transfers	587	93
Transfers, net	6	(24)
Change in cash basis net assets	593	69
Cash basis net assets beginning of year	2,585	2,516
Cash basis net assets end of year	\$ 3,178	2,585

The City's total receipts for governmental activities increased 8.3%, or approximately \$364,000, from fiscal year 2011 to fiscal year 2012. The total cost of all programs and services decreased approximately \$130,000, or 3.03% with no new programs added this year. The significant decrease in public works disbursements was significantly offset by an increase in capital projects disbursements.

The City decreased property tax receipts for fiscal year 2012 an average of 4.4%. This decrease lowered the City's property tax receipts approximately \$90,000 in fiscal year 2012.

The cost of all governmental activities this year was approximately \$4.155 million compared to approximately \$4.285 million last year. However, as shown in the Statement of Activities and Net Assets on page 15, the amount taxpayers ultimately financed for these activities was approximately \$2.7 million because some of the cost was paid by those directly benefited from the programs (approximately \$387,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$1,069,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2012 from approximately \$1,657,000 to approximately \$1,456,000, principally due to the receipt of less grant money.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year Ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,549	1,359
Storm sewer	83	76
Airport	143	97
Capital grants, contributions and restricted interest	443	683
General receipts:		
Other general receipts	7	46
Total receipts	2,225	2,261
Disbursements:		
Sewer	959	831
Storm sewer	738	750
Airport	142	110
Total disbursements	1,839	1,691
Change in cash basis net assets before transfers	386	570
Transfers, net	(6)	23
Change in cash basis net assets	380	593
Cash basis net assets beginning of year	1,937	1,344
Cash basis net assets end of year	\$ 2,317	1,937

Total business type activities receipts for the fiscal year were approximately \$2.225 million compared to approximately \$2.261 million last year. The increase of approximately \$190,000 in sewer charges for service receipts was offset in large part to the decrease of approximately \$157,000 in capital grant receipts related to storm sewer repair. The cash balance increased approximately \$380,000 from the prior year, primarily due to an increase in receipts as a result of an increase in sewer charges for service. Total disbursements for the fiscal year increased 8.76% to approximately \$1.839 million, primarily due to more sewer repair and construction in fiscal year 2012.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Centerville completed the year, its governmental funds reported a combined fund balance of \$3,110,722, an increase of \$693,888 from last year's total of \$2,416,834. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- ❖ The General Fund cash balance increased \$103,772 from the prior year to \$444,413. This increase is primarily due to the City spending less money from the General Fund than what it receives in the General Fund.
- ❖ The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$195,921 from the prior year to \$374,787. The City is accumulating resources in this fund for the payment of general obligation bond principal and interest costs.
- ❖ The Special Revenue, Road Use Tax Fund cash balance increased by \$119,464 to \$332,559 as of June 30, 2012. A decrease in materials and purchase of equipment increased the cash balance in this fund. The City intends to use this money to upgrade the condition of the City's streets.
- ❖ The Special Revenue, Local Option Sales Tax Fund cash balance increased by \$263,977 to \$1,660,638 as of June 30, 2012. The balance in this fund will be used for various projects such as the payment of debt related to the purchase of a new fire truck, public library renovation, payments to Centerville Schools for a school project, and payments to the Appanoose County Railroad which is to be used for capital projects for the railroad. The City currently has outstanding debt for a fire truck, which is paid out of this fund. This fund is also accumulating resources for a pool project.
- ❖ The Special Revenue, Employee Benefits Fund cash balance decreased by \$123,731 to \$25,394 as of June 30, 2012. The decrease was due to rising employee benefits, such as an increase in the required IPERS and MFPRSI contributions and health insurance costs.
- ❖ The Capital Projects Fund was established in the current fiscal year to account for costs associated with major street reconstruction. As the end of the fiscal year, the cash balance in this fund was \$132,891. The monies in this fund were received from the issuance of a \$665,000 general obligation bond.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- ❖ The Enterprise, Sewer Fund cash balance increased by \$612,933 to \$2,509,561 as of June 30, 2012, due primarily to an increase in sewer charges for service receipts. This money will be used to fund major sewer upgrades in the future.
- ❖ The Enterprise, Storm Sewer Fund cash balance decreased by \$212,550 to (\$220,171) as of June 30, 2012, due primarily to funding a big construction project during the fiscal year. It is anticipated that the deficit balance in this fund will be eliminated through the receipt of grant funds and user fees.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The budget amendment was approved on May 30, 2102. The budget amendment increased receipts by \$322,828 and disbursements by \$482,000. The increase in disbursements was to provide for additional disbursements in certain City departments.

The City's receipts were \$77,547 less than budgeted. This was primarily due to the City amending the property tax receipts in excess of the actual property taxes levied. It is unclear why the City's property tax receipt amounts on the budget amendment were \$332,828 in excess of the property taxes levied for fiscal year 2012.

Even with the budget amendments, actual disbursements for the public safety, culture and recreation, general government, debt service and the capital projects functions were \$51,083, \$134,467, \$2,979, \$211,821 and \$816,458, respectively, more than the amended budget. City personnel were unable to explain why the budget amendment was not amended in sufficient amounts to ensure the actual disbursement amounts incurred did not exceed the disbursement amounts budgeted.

## DEBT ADMINISTRATION

At June 30, 2012, the City had \$1,647,780 in bonds and other long-term debt outstanding, compared to \$1,165,332 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2012	2011
General obligation bonds	\$ 1,645	1,160
Lease-purchase agreements	3	5
Total	\$ 1,648	1,165

Debt increased primarily as a result of newly issued debt necessary for street improvements.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,647,780 is significantly below its constitutional debt limit of \$9,466,347.

More detailed information about the City's long-term debt is presented in Notes 3 and 5 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Centerville elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities. These indicators were taken into account when adopting the budget for fiscal year 2013. Receipts are budgeted to increase by \$1,197,835. Disbursements are budgeted to increase by \$1,021,112. The majority of this increase in receipts is due to business type receipts. The majority of the increase in disbursements is a result of the business type expenses. The City future plans to undertake several large street projects in the coming years, expenses are likely to occur in both fiscal year 2013 and 2014. If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$648,151 by the close of 2013.

The City has taken significant steps to enhance the appearance and function of the City through street, storm water, sanitary sewer and other major infrastructure initiatives. These and future improvements, while necessary, require the City to identify additional sources of funding other than cash reserves and general obligation debt to maintain consistency of future tax levies. Like nearly all other municipalities the rising cost of employee benefits has created a significant burden for the City. The City's required participation in the Municipal Fire and Police Retirement System (MFPRSI) continues to put significant financial burden on the City which is unlikely to change without major state legislative action.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joyce Davis, City Clerk, 312 East Maple, P.O. Box 578, Centerville, Iowa 52544.

**Primary Government Financial Statements**

## Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2012

Functions / Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Governmental activities:</b>							
Public safety	\$ 1,848,550	262,448	420,025	-	(1,166,077)	-	(1,166,077)
Public works	573,804	7,696	573,577	-	7,469	-	7,469
Culture and recreation	343,841	47,368	34,867	-	(261,606)	-	(261,606)
Community and economic development	16,235	-	875	1,367	(13,993)	-	(13,993)
General government	344,652	69,405	500	-	(274,747)	-	(274,747)
Debt service	211,824	-	-	-	(211,824)	-	(211,824)
Capital projects	816,458	-	-	37,454	(779,004)	-	(779,004)
Total governmental activities	4,155,364	386,917	1,029,844	38,821	(2,699,782)	-	(2,699,782)
<b>Business type activities:</b>							
Sewer	958,691	1,549,430	-	-	-	590,739	590,739
Storm sewer	738,239	82,650	-	443,039	-	(212,550)	(212,550)
Airport	142,085	143,423	-	-	-	1,338	1,338
Total business type activities	1,839,015	1,775,503	-	443,039	-	379,527	379,527
<b>Total</b>	<b>\$ 5,994,379</b>	<b>2,162,420</b>	<b>1,029,844</b>	<b>481,860</b>	<b>(2,699,782)</b>	<b>379,527</b>	<b>(2,320,255)</b>
<b>General Receipts:</b>							
Property tax and other city tax levied for:							
General purposes					1,575,894	-	1,575,894
Debt service					186,326	-	186,326
Tax increment financing					198,567	-	198,567
Local option sales tax					531,508	-	531,508
Grants and contributions not restricted to specific purpose					54,044	-	54,044
Hotel-Motel tax					74,560	-	74,560
Bond proceeds (net of \$6,985 discount)					658,015	-	658,015
Unrestricted interest on investments					3,854	-	3,854
Miscellaneous					4,446	7,035	11,481
Transfers					6,347	(6,347)	-
Total general receipts and transfers					3,293,561	688	3,294,249
Change in cash basis net assets					593,779	380,215	973,994
Cash basis net assets beginning of year					2,584,563	1,936,647	4,521,210
Cash basis net assets end of year					\$ 3,178,342	2,316,862	5,495,204
<b>Cash Basis Net Assets</b>							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 167,926	-	167,926
Expendable:							
Streets					332,559	-	332,559
Urban renewal purposes					374,787	-	374,787
Local option sales tax					1,660,638	-	1,660,638
Other purposes					256,979	-	256,979
Unrestricted					385,453	2,316,862	2,702,315
<b>Total cash basis net assets</b>					<b>\$ 3,178,342</b>	<b>2,316,862</b>	<b>5,495,204</b>

See notes to financial statements.

## City of Centerville

Exhibit B

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2012

	Special Revenue							Total
	General	Urban Renewal Tax Increment	Road Use Tax	Local Option Sales Tax	Employee Benefits	Capital Projects	Nonmajor	
Receipts:								
Property tax	\$ 1,036,869	-	-	-	539,024	-	186,325	1,762,218
Tax increment financing	-	198,567	-	-	-	-	-	198,567
Other city tax	128,605	-	-	531,508	-	-	-	660,113
Licenses and permits	46,883	-	-	-	-	-	-	46,883
Use of money and property	6,139	-	-	2,778	-	-	110	9,027
Intergovernmental	507,693	-	524,337	-	-	-	34,676	1,066,706
Charges for service	160,691	-	-	-	-	-	-	160,691
Miscellaneous	159,986	-	-	-	941	-	19,645	180,572
Total receipts	2,046,866	198,567	524,337	534,286	539,965	-	240,756	4,084,777
Disbursements:								
Operating:								
Public safety	1,263,627	-	-	-	500,329	-	13,230	1,777,186
Public works	72,757	-	402,181	-	77,181	-	-	552,119
Culture and recreation	335,062	-	-	-	2,943	-	2,125	340,130
Community and economic development	13,589	2,646	-	-	-	-	-	16,235
General government	293,891	-	-	-	47,411	-	-	341,302
Debt service	-	-	-	-	-	-	211,821	211,821
Capital projects	-	-	-	270,309	-	525,124	21,025	816,458
Total disbursements	1,978,926	2,646	402,181	270,309	627,864	525,124	248,201	4,055,251
Excess (deficiency) of receipts over (under) disbursements	67,940	195,921	122,156	263,977	(87,899)	(525,124)	(7,445)	29,526
Other financing sources (uses):								
Bond proceeds (net of \$6,985 discount)	-	-	-	-	-	658,015	-	658,015
Operating transfers in	35,832	-	-	-	-	-	9,039	44,871
Operating transfers out	-	-	(2,692)	-	(35,832)	-	-	(38,524)
Total other financing sources (uses)	35,832	-	(2,692)	-	(35,832)	658,015	9,039	664,362
Net change in cash balances	103,772	195,921	119,464	263,977	(123,731)	132,891	1,594	693,888
Cash balances beginning of year	340,641	178,866	213,095	1,396,661	149,125	-	138,446	2,416,834
Cash balances end of year	\$ 444,413	374,787	332,559	1,660,638	25,394	132,891	140,040	3,110,722
<b>Cash Basis Fund Balances</b>								
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-	-	167,926	167,926
Restricted for:								
Streets	-	-	332,559	-	-	-	-	332,559
Urban renewal purposes	-	374,787	-	-	-	-	-	374,787
Capital projects	-	-	-	-	-	132,891	42,746	175,637
Local option sales tax	-	-	-	1,660,638	-	-	-	1,660,638
Other purposes	14,804	-	-	-	25,394	-	41,144	81,342
Assigned	243,151	-	-	-	-	-	-	243,151
Unassigned	186,458	-	-	-	-	-	(111,776)	74,682
Total cash basis fund balances	\$ 444,413	374,787	332,559	1,660,638	25,394	132,891	140,040	3,110,722

See notes to financial statements.



City of Centerville

Exhibit C

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2012

**Total governmental funds cash balances (page 16)** **\$ 3,110,722**

*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the assets of the Internal Service Funds are included in governmental activities in the Statement of Activities and Net Assets.

67,620

**Cash basis net assets of governmental activities (page 15)** **\$ 3,178,342**

**Net change in cash balances (page 16)** **\$ 693,888**

*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the costs of the flex plan. A portion of the change in net assets of the Internal Service Funds are reported with governmental activities.

(100,109)

**Change in cash balance of governmental activities (page 15)** **\$ 593,779**

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2012

	Enterprise				Internal Service
	Other Non-major Fund				
	Sewer	Storm Sewer	Airport	Total	
Operating receipts:					
Use of money and property	\$ -	-	28,998	28,998	-
Charges for service	1,549,430	82,650	114,425	1,746,505	402,054
Miscellaneous	-	-	-	-	303,765
Total operating receipts	1,549,430	82,650	143,423	1,775,503	705,819
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	236,146
Public works	-	-	-	-	71,753
Culture and recreation	-	-	-	-	12,294
General government	-	-	-	-	444,312
Business type activities	569,552	201	142,085	711,838	62,188
Total operating disbursements	569,552	201	142,085	711,838	826,693
Excess (deficiency) of operating receipts over (under) operating disbursements	979,878	82,449	1,338	1,063,665	(120,874)
Non-operating receipts (disbursements):					
Intergovernmental	-	443,039	-	443,039	-
Miscellaneous	2,776	-	80	2,856	-
Capital projects	(368,374)	(738,038)	-	(1,106,412)	-
Net non-operating receipts (disbursements)	(365,598)	(294,999)	80	(660,517)	-
Excess (deficiency) of receipts over (under) disbursements	614,280	(212,550)	1,418	403,148	(120,874)
Other financing sources (uses):					
Insurance reimbursement	-	-	4,179	4,179	-
Operating transfers out	(1,347)	-	(5,000)	(6,347)	-
Total other financing sources (uses)	(1,347)	-	(821)	(2,168)	-
Net change in cash balances	612,933	(212,550)	597	400,980	(120,874)
Cash balances beginning of year	1,896,628	(7,621)	14,424	1,903,431	200,945
Cash balances end of year	\$ 2,509,561	(220,171)	15,021	2,304,411	80,071
<b>Cash Basis Fund Balances</b>					
Unrestricted	\$ 2,509,561	(220,171)	15,021	2,304,411	80,071
Total cash basis fund balances	\$ 2,509,561	(220,171)	15,021	2,304,411	80,071

See notes to financial statements.

City of Centerville

Exhibit E

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Proprietary Funds

As of and for the year ended June 30, 2012

**Total enterprise funds cash balances (page 18)**

\$ 2,304,411

*Amounts reported for business type activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the costs of the flex plan. A portion of the assets of the Internal Service Funds are included in business type activities in the Statement of Activities and Net Assets.

12,451

**Cash basis net assets of business type activities (page 15)**

\$ 2,316,862

**Net change in cash balances (page 18)**

\$ 400,980

*Amounts reported for business type activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the costs of the flex plan. A portion of the change in net assets of the Internal Service Funds are reported with business type activities in the Statement of Activities and Net Assets.

(20,765)

**Change in cash balance of business type activities (page 15)**

\$ 380,215

See notes to financial statements.

## City of Centerville

## Exhibit F

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Fiduciary Fund

As of and for the year ended June 30, 2012

	<u>Agency</u> <u>Water</u> <u>Department</u> <u>Clearing</u>
Additions:	
Reimbursement from Water Department	\$ 230,572
Total additions	<u>230,572</u>
Deductions:	
Payments made on behalf of Water Department	<u>230,572</u>
Total deductions	<u>230,572</u>
Net change in cash balances	-
Cash balances beginning of year	<u>-</u>
Cash balances end of year	<u><u>\$ -</u></u>

See notes to financial statements.

City of Centerville

Notes to Financial Statements

June 30, 2012

**(1) Summary of Significant Accounting Policies**

The City of Centerville is a political subdivision of the State of Iowa located in Appanoose County. It was first incorporated in 1855 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer and storm sewer utilities for its citizens.

**A. Reporting Entity**

Except as discussed below, for financial reporting purposes, the City of Centerville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Centerville (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although its operational or financial relationships with the City are significant.

**Excluded Component Units**

The Centerville Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to, or impose specific financial burdens on the City. The Municipal Waterworks is governed by a five-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

The Centerville Friends of Library has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Centerville Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends meets the definition of a component unit. Based on these criteria, the economic resources received or held by Friends are substantially for the direct benefit of the City of Centerville Library.

The Centerville Friends of Parks has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Centerville park system. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends meets the definition of a component unit. Based on these criteria, the economic resources received or held by Friends are substantially for the direct benefit of the City of Centerville park system.

## Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Appanoose County Assessor's Conference Board, Appanoose County Emergency Management Commission, Appanoose County Joint E911 Service Board and the Rathbun Area Solid Waste Management Commission.

### B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from the business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

- Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

- Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

- The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

#### Special Revenue:

- The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

- The Road Use Tax Fund is used to account for road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax receipts and other receipts to be used for projects financed with these monies.

The Employee Benefits Fund is used to account for property tax receipts and other receipts to be used for the related payment of employee benefits.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Storm Sewer Fund accounts for the operation and maintenance of the City's storm water sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Additionally, the City reports a fiduciary fund which acts as a clearing account for payments made by the City on behalf of the Centerville Municipal Waterworks and the related reimbursements from the Centerville Municipal Waterworks.

C. Measurement Focus and Basis of Accounting

The City of Centerville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government, debt service and capital projects functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Total
	Principal	Interest	
2013	\$ 240,000	29,020	269,020
2014	900,000	22,258	922,258
2015	185,000	15,400	200,400
2016	190,000	10,935	200,935
2017	65,000	5,785	70,785
2018	65,000	2,925	67,925
	<u>\$ 1,645,000</u>	<u>86,323</u>	<u>1,731,323</u>

(4) **Interfund Loan**

The General Fund loaned money to the Enterprise, Airport Fund. At June, 30, 2012, \$50,298 was due from the Enterprise, Airport Fund to the General Fund. The interest rate on this loan is 1.7%, with no set repayment terms.

(5) **Lease Purchase Obligation**

The City Library is purchasing office equipment under a capital lease contract. Future payments in relation to this capital lease consist of principal of \$2,780, interest of \$315, to total \$2,823. This lease is scheduled to be paid off in fiscal year 2013.



**(6) Pension and Retirement Benefits**

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$81,050, \$64,485 and \$56,639, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, can not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2012, 2011 and 2010 were \$164,755, \$125,914 and \$94,290, respectively, which exceeded the required contribution rate for each year.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and their families, former employees, and retirees and their families. There are 36 active, no retired members and 6 former employees in the plan. Retired participants must be age 55 or older at retirement. Former employees must have been employed by the City on a full-time basis for over twenty years to qualify for the benefits.

The medical/prescription drug benefits are provided through a self-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. However, for former employees that have been employed by the City on a full-time basis for over twenty years, the City will pay for 50% of the cost of the single health insurance premium to age 65.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$555.72 for single coverage and \$1,227.29 for family coverage. The same monthly premiums apply to retirees and former employees. For the year ended June 30, 2012, the City contributed \$402,054 and plan members eligible for benefits contributed \$100,474 to the plan.

**(8) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory, and personal hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory and personal hours payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Personal time	\$ 273
Compensatory time	31,496
Vacation	<u>88,425</u>
Total	<u>\$ 120,194</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

**(9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefits	<u>\$ 35,832</u>
Debt Service	Special Revenue: Road Use Tax	2,692
	Enterprise: Sewer	<u>1,347</u>
		<u>4,039</u>
Capital Projects: Airport Construction	Enterprise: Airport	<u>5,000</u>
		<u>5,000</u>
		<u>\$ 44,871</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(10) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$550 during the year ended June 30, 2012.

**(11) Self-Insured Medical Plan**

The City of Centerville has a self-insured medical plan for City employees. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the plan and evaluate claims. The plan is funded by both employee and City contributions, and is administered through a service agreement with TriStar Benefit Administrators.

The City escrows funds each month to be used to pay medical claims incurred. The maximum exposure by the City for one individual in a twelve-month period is \$20,000 through December 31, 2011, and \$25,000 beginning January 1, 2012. Claims in excess of this amount are paid by the insurance administrative company through the purchase of stop loss insurance. The maximum aggregate benefit to be paid by the insurance company in a contract year is \$1,000,000, with a \$2,000,000 maximum per covered person over a lifetime. The City records the plan receipts and disbursements of the City of Centerville Employee Health Fund as an Internal Service Fund. Monthly payments to the fund are recorded as disbursements from the operating funds.

**(12) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current member's basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2012 were \$89,809.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contracts with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000 each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee; and airport owners liability for various coverage limits. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(13) Deficit Balances**

The Debt Service Fund had a deficit balance of \$96,774 at June 30, 2012. This deficit balance was a result of an insufficient tax levy. This deficit will be eliminated through an increase in property taxes and a transfer from other funds.

The Capital Projects, Airport Construction Fund had a deficit balance of \$15,002 at June 30, 2012. This deficit balance was a result of project costs incurred prior to a receipt of a grant. This deficit will be eliminated from a transfer from the General Fund, and receipts from a grant.

The Enterprise, Storm Sewer Fund had a deficit balance of \$220,171 at June 30, 2012. This deficit balance was a result of project costs incurred prior to the receipt of a grant. This deficit will be eliminated upon receipt of a grant and through subsequent user fee collections.

The Internal Service, Flex Plan Fund had a deficit balance of \$2,599 at June 30, 2012. This deficit balance was the result of employees withdrawing monies from this fund prior to monies being received into this fund from the employees paychecks.

**(14) Development and Rebate Agreement**

The City entered into a development and rebate agreement during the year ended June 30, 2004 to assist in an urban renewal project. The City agreed to rebate incremental taxes paid by the developer in exchange for infrastructure improvements with an estimated taxable value of \$200,000 constructed by the developer as set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403 of the Code of Iowa from the developer will be rebated for a period of seven years beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. In fiscal year 2012, this development and rebate agreement was paid off.

During the year ended June 30, 2012, the City rebated \$1,463 of incremental taxes and \$81 in related interest to the developer. The cumulative amount rebated to the developer from March 2004 through June 30, 2012 was \$51,814.

**(15) Contingencies**

The City receives payments in lieu of taxes from the local housing agency. The City is in the process of determining whether some of these funds received in prior years from the local housing agency should have been distributed to political subdivisions in the County. During the year ended June 30, 2009, the City paid the Centerville Community School District a total of \$50,000 as partial settlement of the payment in lieu of tax amount. The City is still working with the Centerville Community School District and Appanoose County in relation to this issue. The amount of funds the City received from the local housing agency which would be distributed to the political subdivisions, if any, is undeterminable.

The City participates in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

**(16) Fund Balances**

The City's restricted fund balance of \$14,804 in the General Fund as of June 30, 2012 consists of hotel/motel tax monies.

The City's assigned fund balance in the General Fund as of June 30, 2012 consists of the following:

Purpose	Amount
Fire Department	\$ 75,998
Cemetery	11,021
Crime Stoppers	3,628
Library	<u>152,504</u>
Total	<u>\$ 243,151</u>

**(17) Litigation**

The City is subject to pending litigation seeking damages of an unknown amount. The probability of loss, if any, is undeterminable.

**(18) Commitments/Subsequent Events**

In fiscal year 2013, the City will be receiving approximately \$157,000 from the State of Iowa Community Development Block Grant program. This money will be used to reimburse the City for costs incurred in fiscal year 2012 on a storm water replacement project.

In fiscal year 2012, the City entered into a contract for a sewer lining project. Approximately \$211,000 in costs will be incurred in relation to this project in fiscal year 2013, which will be paid as work progresses. The funds for this project will be paid from existing cash reserves.

In fiscal year 2012, the City entered into a contract for an approximate \$1,620,000 cost for a sewer plant construction project. All of the costs incurred on this project will be paid as work progresses in fiscal year 2013. The funds for this project will be paid from a \$550,000 I-Jobs grant, and a loan from the State of Iowa Revolving Loan Fund.

The City instituted proceedings to issue up to \$1,382,000 in Sewer Capital Loan Notes from the State of Iowa Revolving Loan Fund. As of May 22, 2013, \$942,812 has been borrowed from this loan. The loan proceeds were used to pay for part of the cost of a sewer plant construction project.

In fiscal year 2013, the City incurred \$90,000 in debt, with the proceeds used to purchase new police vehicles.

The City has evaluated subsequent events through May 22, 2013, which is the date that the financial statements were available to be issued.

## Other Information

City of Centerville

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2012

	Less Funds not Required					Budgeted Amounts		Final to Total Variance
	Governmental Funds Actual	Proprietary Funds Actual	to be Budgeted	Total	Original	Final		
Receipts:								
Property tax	\$ 1,762,218	-	-	1,762,218	1,596,865	1,919,693	(157,475)	
Tax increment financing	198,567	-	-	198,567	120,000	120,000	78,567	
Other city tax	660,113	-	-	660,113	712,152	712,152	(52,039)	
Licenses and permits	46,883	-	-	46,883	81,450	81,450	(34,567)	
Use of money and property	9,027	28,998	-	38,025	37,340	37,340	685	
Intergovernmental	1,066,706	443,039	-	1,509,745	1,883,106	1,883,106	(373,361)	
Charges for service	160,691	2,148,559	402,054	1,907,196	1,557,591	1,557,591	349,605	
Miscellaneous	180,572	306,621	303,765	183,428	72,390	72,390	111,038	
Total receipts	4,084,777	2,927,217	705,819	6,306,175	6,060,894	6,383,722	(77,547)	
Disbursements:								
Public safety	1,777,186	236,146	236,146	1,777,186	1,635,103	1,726,103	(51,083)	
Public works	552,119	71,753	71,753	552,119	611,012	611,012	58,893	
Culture and recreation	340,130	12,294	12,294	340,130	200,663	205,663	(134,467)	
Community and economic development	16,235	-	-	16,235	297,299	297,299	281,064	
General government	341,302	444,312	444,312	341,302	321,323	338,323	(2,979)	
Debt service	211,821	-	-	211,821	-	-	(211,821)	
Capital projects	816,458	-	-	816,458	-	-	(816,458)	
Business type activities	-	1,880,438	62,188	1,818,250	2,824,066	3,193,066	1,374,816	
Total disbursements	4,055,251	2,644,943	826,693	5,873,501	5,889,466	6,371,466	497,965	
Excess (deficiency) of receipts over (under) disbursements	29,526	282,274	(120,874)	432,674	171,428	12,256	420,418	
Other financing sources, net	664,362	(2,168)	-	662,194	-	665,000	(2,806)	
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	693,888	280,106	(120,874)	1,094,868	171,428	677,256	417,612	
Balances beginning of year	2,416,834	2,104,376	200,945	4,320,265	4,208,765	4,208,765	111,500	
Balances end of year	\$ 3,110,722	2,384,482	80,071	5,415,133	4,380,193	4,886,021	529,112	

See accompanying independent auditor's report.

City of Centerville

Notes to Other Information - Budgetary Reporting

June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for the Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$482,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government, debt service and capital projects functions.



## Supplementary Information

City of Centerville

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2012

	Special			
	Special Assessment	Friends of Oakland Cemetery	Canine	Special Law Enforcement
Receipts:				
Property tax	\$ -	-	-	-
Use of money and property	-	110	-	-
Intergovernmental	-	-	-	-
Miscellaneous	-	75	3,772	8,350
Total receipts	-	185	3,772	8,350
Disbursements:				
Operating:				
Public safety	-	-	9,873	1,562
Culture and recreation	-	585	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	-	585	9,873	1,562
Excess (deficiency) of receipts over (under) disbursements	-	(400)	(6,101)	6,788
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in cash balances	-	(400)	(6,101)	6,788
Cash balances beginning of year	6,772	21,579	7,393	3,490
Cash balances end of year	\$ 6,772	21,179	1,292	10,278
<b>Cash Basis Fund Balances</b>				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Other purposes	6,772	21,179	1,292	10,278
Unassigned	-	-	-	-
Total cash basis fund balances	\$ 6,772	21,179	1,292	10,278

See accompanying independent auditor's report.

Revenue				Capital Projects		Permanent Cemetery	Total
Safety	Animal Rescue	Library Memorial	Debt Service	Tax Increment Financing	Airport Construction	Perpetual Care	
-	-	-	186,325	-	-	-	186,325
-	-	-	-	-	-	-	110
-	-	-	-	3,750	30,926	-	34,676
-	2,342	1,540	-	-	993	2,573	19,645
-	2,342	1,540	186,325	3,750	31,919	2,573	240,756
-	1,795	-	-	-	-	-	13,230
-	-	1,540	-	-	-	-	2,125
-	-	-	211,821	-	-	-	211,821
-	-	-	-	3,752	17,273	-	21,025
-	1,795	1,540	211,821	3,752	17,273	-	248,201
-	547	-	(25,496)	(2)	14,646	2,573	(7,445)
-	-	-	4,039	-	5,000	-	9,039
-	-	-	4,039	-	5,000	-	9,039
-	547	-	(21,457)	(2)	19,646	2,573	1,594
225	837	14	(75,317)	42,748	(34,648)	165,353	138,446
225	1,384	14	(96,774)	42,746	(15,002)	167,926	140,040
-	-	-	-	-	-	167,926	167,926
-	-	-	-	42,746	-	-	42,746
225	1,384	14	-	-	-	-	41,144
-	-	-	(96,774)	-	(15,002)	-	(111,776)
225	1,384	14	(96,774)	42,746	(15,002)	167,926	140,040

## City of Centerville

## Schedule 2

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Internal Service Funds

As of and for the year ended June 30, 2012

	Employee Health	Flex Plan	Total
Operating receipts:			
Charges for service:			
Personal service costs from operating funds	\$ 402,054	-	402,054
Miscellaneous:			
Employee contributions and refunds	286,824	16,941	303,765
Total operating receipts	688,878	16,941	705,819
Operating disbursements:			
Governmental activities:			
Public safety	236,146	-	236,146
Public works	71,753	-	71,753
Culture and recreation	12,294	-	12,294
General government	424,943	19,369	444,312
Business type activities	62,188	-	62,188
Total operating disbursements	807,324	19,369	826,693
Net change in cash balances	(118,446)	(2,428)	(120,874)
Cash balances beginning of year	201,116	(171)	200,945
Cash balances end of year	\$ 82,670	(2,599)	80,071

See accompanying independent auditor's report.

City of Centerville

Schedule 3

Schedule of Indebtedness

Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes:									
Capital Loan	May 1, 2003	1.25-4.50%	\$ 1,195,000	405,000	-	50,000	355,000	16,810	-
Refunding Capital Loan Notes	April 19, 2011	0.75-2.00%	755,000	755,000	-	130,000	625,000	11,232	-
Capital Loan Note	September 14, 2011	0.75%	665,000	-	665,000	-	665,000	2,314	-
Total				\$ 1,160,000	665,000	180,000	1,645,000	30,356	-
Lease Purchase Agreements:									
Equipment	April 14, 2008	6.50%	\$ 12,065	5,332	-	2,552	2,780	270	-

See accompanying independent auditor's report.

## City of Centerville

Schedule 4

## Bond and Note Maturities

June 30, 2012

Year Ending June 30,	General Obligation Bonds and Notes						
	Refunding Capital						Total
	Capital Loan		Loan Notes		Capital Loan Note		
	Issued May 1, 2003		Issued April 19, 2011		Issued September 14, 2011		
	Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount		
2013	3.90%	\$ 55,000	1.15%	\$ 185,000	-	\$ -	\$ 240,000
2014	4.00%	55,000	1.20%	180,000	0.75%	665,000	900,000
2015	4.10%	55,000	1.70%	130,000	-	-	185,000
2016	4.25%	60,000	2.00%	130,000	-	-	190,000
2017	4.40%	65,000	-	-	-	-	65,000
2018	4.50%	65,000	-	-	-	-	65,000
		<u>\$ 355,000</u>		<u>\$ 625,000</u>		<u>\$ 665,000</u>	<u>\$ 1,645,000</u>

See accompanying independent auditor's report.

Schedule of Receipts By Source and Disbursements by Function -  
All Governmental Funds

For the Last Eight Years

	2012	2011	2010	2009	2008	2007	2006	2005
Receipts:								
Property tax	\$1,762,218	1,847,624	1,776,026	1,908,000	1,942,462	1,882,266	1,955,748	1,724,719
Tax increment financing	198,567	202,070	302,720	-	-	-	4,983	391,046
Other city tax	660,113	602,174	645,421	594,999	563,109	620,114	502,078	401,423
Licenses and permits	46,883	25,782	29,773	29,484	28,114	67,657	66,598	71,047
Use of money and property	9,027	15,215	11,777	51,850	70,935	120,407	59,455	40,907
Intergovernmental	1,066,706	1,129,631	993,471	1,159,501	1,756,627	1,332,878	915,365	889,884
Charges for service	160,691	148,134	160,954	162,465	148,129	133,100	161,539	130,839
Special assessments	-	6,772	11,515	14,161	12,991	30,103	17,965	35,863
Miscellaneous	180,572	337,974	151,464	174,017	370,077	146,766	342,640	194,059
Total	<u>\$4,084,777</u>	<u>4,315,376</u>	<u>4,083,121</u>	<u>4,094,477</u>	<u>4,892,444</u>	<u>4,333,291</u>	<u>4,026,371</u>	<u>3,879,787</u>
Disbursements:								
Operating:								
Public safety	\$1,777,186	1,681,900	1,561,055	1,724,788	1,579,219	1,554,102	1,435,742	1,294,664
Public works	552,119	935,351	611,693	686,428	596,553	547,899	487,234	582,726
Culture and recreation	340,130	397,665	381,209	416,993	359,258	424,317	426,005	363,190
Community and economic development	16,235	53,003	13,710	13,705	38,578	178,143	366,224	259,328
General government	341,302	277,194	257,997	299,727	239,526	336,907	237,911	214,897
Debt service	211,821	502,502	495,480	693,641	562,694	784,457	772,593	820,223
Capital projects	816,458	414,431	300,675	646,584	1,191,523	850,995	279,500	769,504
Total	<u>\$4,055,251</u>	<u>4,262,046</u>	<u>3,621,819</u>	<u>4,481,866</u>	<u>4,567,351</u>	<u>4,676,820</u>	<u>4,005,209</u>	<u>4,304,532</u>

See accompanying independent auditor's report.

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
<b>Direct:</b>			
U.S. Department of Justice: Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0302	\$ 56,327
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804	2009-SB-B9-1516	16,312
ARRA - Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs / Competitive Grant Program	16.810	2009-SD-B9-0144	133,359
U.S. Department of Transportation: Federal Aviation Administration Airports Division: Airport Improvement Program	20.106	3-19-0013-05-2010	14,134
Subtotal - Direct			220,132
<b>Indirect:</b>			
U.S. Department of Housing and Urban Development: Iowa Economic Development Authority: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (\$8,063 provided to subrecipients)	14.228	10-ED-003 08-DRI-269	3,750 549,713 553,463
U.S. Department of Justice: State of Iowa - Governor's Office of Drug Control Policy: Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	10-DEC-19989	1,673
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories	16.803	09JAG/ARRA-16980C	91,856
U.S. Department of Transportation: Iowa Department of Public Safety: State and Community Highway Safety	20.600	Task 429, Claim 1 Task 124, Claim 1	4,000 3,850 7,850
Subtotal - Indirect			654,842
Total			\$ 874,974

**Basis of Presentation-** The Schedule of Expenditure of Federal Awards includes the federal grant activity of the City of Centerville and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated May 22, 2013. Our report expressed unqualified opinions on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Centerville is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Centerville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Centerville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Centerville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control that there is a reasonable possibility a material misstatement of City of Centerville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12, II-B-12, II-C-12, II-D-12, II-H-12 and II-I-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-E-12, II-F-12 and II-G-12 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Centerville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Centerville's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Centerville's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Centerville and other parties to whom the City of Centerville may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Centerville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Peak & Co., LLP  
Certified Public Accountants

May 22, 2013

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Independent Auditor's Report on Compliance with Requirements That Could  
Have a Direct and Material Effect on Each Major Program and on Internal  
Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the City of Centerville, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Centerville's major federal program for the year ended June 30, 2012. The City of Centerville's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Centerville's management. Our responsibility is to express an opinion on the City of Centerville's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Centerville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Centerville's compliance with those requirements.

In our opinion, the City of Centerville complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the City of Centerville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Centerville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Centerville's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over compliance we consider to be a material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as items III-C-12 and III-E-12 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in part III of the accompanying Schedule of Findings and Questioned Costs as items III-A-12, III-B-12, and III-D-12 to be significant deficiencies.

City of Centerville's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Centerville's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Centerville and other parties to whom the City of Centerville may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Peak & Co., LLP*

Peak & Co., LLP  
Certified Public Accountants

May 22, 2013

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Two material weakness and three significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 -- Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Centerville did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- II-A-12 Record Retention – It does not appear the City has policies and procedures in place to ensure that all documentation is obtained and/or retained by the City.

In relation to grants, instances were noted where the City did not retain copies of claim forms, grant and contract agreements, reports, letters from the State of Iowa, miscellaneous forms and other documentation.

In relation to construction activities, instances were noted where the City did not retain copies of construction change orders, bonds, proof of insurance, bid tabulations, agreements and other documentation.

Recommendation – The City implement procedures to ensure that all documentation related to City business is obtained and retained.

Response – We will implement this recommendation.

Conclusion - Response accepted.

- II-B-12 Financial Reporting – Internal controls over financial reporting include actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by an other comprehensive basis of accounting. The City does not have the internal resources to prepare the full-disclosure financial statements required by an other comprehensive basis of accounting for external reporting purposes. While this circumstance is not uncommon for most small governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – With a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting purposes is difficult. However, we recommend the City continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – The management officials will attempt to read relevant accounting literature and attend professional education courses to improve in the ability to apply accounting principles. However, it is not fiscally responsible to add additional staff at this time.

Conclusion – Response accepted.

- II-C-12 Segregation of Duties - Airport – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person. In addition, vouchers are processed, checks are written, and disbursements recorded on the accounting system are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the airport should review its control procedures to obtain the maximum internal control possible under the circumstances.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Response – We will consider this.

Conclusion – Response acknowledged. The airport should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-D-12 Airport Procedures – No evidence could be located that the airport performed monthly bank reconciliations during the fiscal year. In addition, it appears the airport accounting records for fiscal year 2012 were inaccurate and incomplete. The airport did not consistently maintain records of the financial activities in the petty cash fund.

The airport buys fuel in bulk and resells the fuel to its customers. However, it does not appear the airport has procedures in place to provide assurance that all fuel bought for resale is either on hand, sold to customers, or used by the airport on airport equipment.

The airport collects most of its monies from the rental of its facilities and from fuel sales. Documentation supporting these collections was inadequate to determine the amount of monies which should have been collected and deposited to the airport bank account.

Recommendation – The airport perform monthly bank reconciliations and ensure the accounting records are accurate and complete. The airport should maintain a ledger which documents all the activities in the petty cash fund. In addition, the airport needs to implement procedures to provide assurance that all fuel is accounted for properly, and that all monies received by the airport from rent and fuel sales are properly collected and deposited to the bank account.

Response – We will review these issues.

Conclusion – Response accepted.

- II-E-12 Emergency Levy – The balance in the Emergency Fund was not transferred to the General Fund, as required by Chapter 384.8 of the Code of Iowa.

Recommendation - The City transfer the balance in the Emergency Fund to the General Fund as required by the Code of Iowa.

Response – This will be implemented in fiscal year 2013.

Conclusion – Response accepted.

- II-F-12 Receipts – Instances were noted where the Library did not always deposit receipts on a timely basis. To help ensure security and accountability over receipts, all receipts should be deposited timely.

Procedures do not appear to be adequate in the collection of delinquent fire department related service calls.

Recommendation – The Library should implement procedures to ensure all receipts are deposited on a timely basis. The City should also implement procedures to ensure all monies are collected for fire department related service calls.

Response – We will attempt to implement these recommendations.

Conclusion – Response accepted.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

II-G-12 Preparation of Schedule of Federal Awards – Through review of the City’s grant activity and the process of gathering information for required reporting, we determined that there is a need for improvement in the procedures related to the preparation of the Schedule of Expenditure of Federal Awards (SEFA), including the accuracy of the CFDA numbers and the accuracy and completeness of expenditure amounts reported on the SEFA. The City does not have a centralized process to gather the information required to be reported under OMB Circular A-133. As a result, the schedule contained errors and omissions.

Recommendation – We recommend the City create a process and designate an individual to track and accurately report all information required to be included on the SEFA.

Response and Corrective Action Planned – We will attempt to implement this recommendation.

Conclusion – Response accepted.

II-H-12 Material Adjustments/Bank Reconciliations – We proposed several adjusting journal entries that were material to the City’s financial statements. One journal entry made by the City appeared to be made in error, and other transactions were either improperly recorded, or were not recorded at all on the City’s accounting records. Adjustments were subsequently made by the City to properly record these transactions on the City’s financial statements.

The City’s reconciled bank balance did not materially agree to its book balance during the fiscal year, and at June 30, 2012. It appears management of the City was aware of the problem, but it does not appear the City took any action to correct this problem.

Recommendation – We recommend the City implement procedures to ensure all receipts and disbursements are properly recorded on the City’s accounting records. In addition, management of the City should ensure the reconciled bank balance agrees to the book balance at each month end, and at year end.

Response – We will attempt to implement these recommendations.

Conclusion – Response accepted.

II-I-12 Financial Reporting – During the audit, we identified a material amount of receipts misposted to the General Fund rather than the Enterprise, Storm Sewer Fund.

Recommendation – The City should implement procedures to ensure all receipts are properly recorded on the City’s financial statements.

Response – We will implement this recommendation.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii**

**Pass-through Agency Number: 10-ED-003, 08-DRI-269**

**Federal Award Year: 2010**

**U.S. Department of Housing and Urban Development**

**Passed through the Iowa Economic Development Authority**

III-A-12 Preparation of Schedule of Federal Awards – The City does not have a centralized process to gather the information required to be reported under OMB Circular A-133. See item II-G-12.

**CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii**

**Pass-through Agency Number: 08-DRI-269**

**Federal Award Year: 2010**

**U.S. Department of Housing and Urban Development**

**Passed through the Iowa Economic Development Authority**

III-B-12 Subrecipient Monitoring – The City entered into an agreement with a Regional Planning Commission (administrative entity) to administer grant program 08-DRI-269. When the City enters into such an agreement, the City effectively passes down all federal requirements of the program to the administrative entity, except for approving final reports and requesting funds. The agreement does not identify the administrative entity as a subrecipient when, in fact, the administrative entity become a subrecipient and must comply with Community Development Block Grant (CDBG) program and OMB Circular A-133 requirements upon entering into the agreement. In addition, upon entering into the agreement, the City is responsible for monitoring the administrative entity for compliance with CDBG and OMB Circular A-133 requirements.

The City has not advised the administrative entity that they become a subrecipient upon execution of the agreement in which the administrative entity agrees to administer the program. In addition, the City has not performed any subrecipient monitoring procedures as required under OMB Circular A-133 in relation to the administrative entity.

Recommendation – The City should develop and implement policies and procedures to ensure the administrative entity is aware of the subrecipient relationship created when it enters into a subrecipient agreement to administer the program. In addition, the City should implement procedures to ensure that its subrecipient is monitored as required by OMB Circular A-133.

Response and Corrective Action Planned – We will contact the Iowa Economic Development Authority for guidance in relation to this.

Conclusion – Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

III-C-12 Engineer Procurement – The City did not request competitive proposals for the selection of the engineer on a storm water project. Instead, the City procured the engineering firm through sole source procurement for this project.

The Iowa Economic Development Authority (IEDA) Management guide requires that the IEDA approve, in advance, sole source procurement for contracts or purchases valued at \$25,000 or more. The engineer in question will be paid more than \$25,000 for this project.

Recommendation – In the future, the City should implement procedures to ensure the IEDA Management guide is followed in relation to sole source procurement. In addition, the City should work with the IEDA in order to resolve this situation.

Response and Corrective Action Planned – We had asked the IEDA, in advance of the engineer selection, to approve a sole source procurement in advance. We have located a letter from the City to the IEDA asking that the IEDA approve this request. However, neither the City nor the IEDA can find any additional documentation from IEDA either approving or denying this request.

We will work with the IEDA to resolve this issue.

Conclusion – Response accepted.

III-D-12 Cash Management – The City held Community Development Block Grant funds of over \$100 in excess of 10 days. This is not allowed pursuant to the Community Development Block Grant requirements.

Recommendation – The City implement procedures to ensure Community Development Block Grant funds of over \$100 are not held in excess of 10 days, as required by the Community Development Block Grant requirements.

Response and Corrective Action Planned – We will implement this recommendation.

Conclusion – Response accepted.

**CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii**

**Pass-through Agency Number: 10-ED-003**

**Federal Award Year: 2010**

**U.S. Department of Housing and Urban Development**

**Passed through the Iowa Economic Development Authority**

III-E-12 Grant Administrator Procurement – The grant administrator for the economic development set-aside grant was a private contractor. However, the City did not request competitive proposals for the selection of the grant administrator for this project. Instead, the City procured the grant administrator through sole source procurement for this project.

The Iowa Economic Development Authority (IEDA) Management guide requires that the City obtain competitive proposals in relation to the selection of a grant administrator.

Recommendation – In the future, the City should implement procedures to ensure the IEDA Management guide is followed in relation to sole source procurement. In addition, the City should work with the IEDA in order to resolve this situation.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Response and Corrective Action Planned – The IEDA told us to select this private contractor. We will contact the IEDA again in relation to this issue.

Conclusion – Response accepted.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the public safety, culture and recreation, general government, debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

The City’s budget was adopted by motion of the Council. Chapter 384.16 of the Code of Iowa states, in part, “... the Council shall adopt by resolution a budget ...”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, the budget should be adopted by resolution of the Council in accordance with the Code of Iowa requirements.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- IV-B-12 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- IV-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- IV-D-12 Business Transactions – Business transactions between the City and City officials or employees of the primary government are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Rob Lind, Council Member Owner of Centerville Greenhouses	Supplies	\$ 550

In accordance with Chapter 362.5 (2) (j) of the Code of Iowa, the transactions with the above individual does not appear to represent a conflict of interest since total transactions with the individual was less than \$1,500 during the fiscal year.

- IV-E-12 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- IV-F-12 Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the Council minutes but were not.

One instance was noted where a City Council minutes, and related claims, were not timely published as required by Chapter 372.13 (6) of the Code of Iowa. In addition, airport claims were not approved by the City Council or published in the newspaper as required by Chapter 372.13 (6) of the Code of Iowa.

The City Council went into closed sessions during fiscal year 2012. However, the minute records did not document the specific information regarding the closed sessions as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

The City has established an airport commission by ordinance. During the year, several airport commission minutes could not be located.

Recommendation – The City should ensure that all City Council minutes and related claims are timely published as required per the Code of Iowa. Airport claims should be approved by the City Council and published in the newspaper, as required by the Code of Iowa. The City should also comply with Chapter 21 of the Code of Iowa in relation to closed sessions. In addition, all airport commission minutes should be retained.

Response – We will implement these recommendations.

Conclusion - Response accepted.

- IV-G-12 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted. The Special Revenue, Local Option Sales Tax Fund, the Special Revenue, Urban Renewal Tax Increment Fund and the Capital Projects Fund did not receive any bank interest, even though this is required by Chapter 12C.9 of the Code of Iowa.

Recommendation – The Special Revenue, Local Option Sales Tax Fund, the Special Revenue, Urban Renewal Tax Increment Fund and the Capital Projects Fund should receive bank interest as required by the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- IV-H-12 Airport – In some instances, airport invoices were not cancelled. In addition, in one instance the airport could not locate the supporting documentation for an invoice.

Recommendation – All airport invoices should be cancelled. In addition, supporting documentation should be obtained and retained for all airport invoices.

Response – All airport invoices will be cancelled and all invoices will be retained in the future.

Conclusion - Response accepted.

- IV-I-12 Compliance Issues – The City paid for approximately \$9,000 in costs from the Special Revenue, Employee Benefits Fund which were not related to employee benefits. The Code of Iowa requires that only employee benefit costs be paid for from the Special Revenue, Employee Benefits Fund.

The City's liability tax levy appears to be excessive given the amount of liability insurance costs paid for by the City. The Code of Iowa only allows a City to establish a liability insurance tax levy up to the amount needed for applicable liability insurance costs. It would not appear that the Code of Iowa allows a City to levy a tax for liability insurance purposes in order to fund the general operations of the City.

Recommendation – The City implement procedures to ensure all costs charged to the Special Revenue, Employee Benefits Fund are for employee benefits, and that the tax levy for liability insurance be established at a rate which approximates the applicable liability insurance costs paid for by the City.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Response – We will implement the above recommendations.

Conclusion – Response accepted.

- IV-J-12 Financial Condition – As documented in Note 13 in the Notes to the Financial Statements, the Debt Service Fund, the Capital Projects, Airport Construction Fund, the Enterprise, Storm Sewer Fund, and the Internal Service, Flex Plan Fund all had deficit balances at June 30, 2012.

Recommendation – The City should monitor the above funds in order to eliminate these deficits.

Response – We will monitor these funds and attempt to implement this recommendation.

Conclusion – Response accepted.

- IV-K-12 Timeliness/Accuracy/Monitoring of Reports – The City has to complete multiple reports to be filed with the State of Iowa. In addition, there are multiple reports the City has to analyze to ensure City funds are accounted for properly, and to ensure contractual requirements are met. Our review of these reports noted the following concerns:

- a) The City has not received any reports from the Centerville Community School District or from the Appanoose County Railroad in regards to how they spend the local option sales tax monies they receive from the City. The agreements with these entities require these entities account for the local option sales tax monies they receive from the City.
- b) The State of Iowa Street Finance report did not include some costs incurred on road related activities, as required by the State of Iowa.
- c) The Annual Financial Report was filed with the State of Iowa five weeks late. This report was due on December 1, 2012 for the fiscal year ended June 30, 2012. However, this report was not filed until the first week of January, 2013. In addition, material inaccuracies existed between the financial amounts recorded on the annual financial report and the financial amounts recorded on the City's accounting records.

Recommendation – The City implement procedures to ensure all reports due to the State of Iowa are timely filed and are accurate. In addition, procedures should be implemented to ensure all reports due to the City from the various entities are obtained as required.

Response – We have or will implement all these recommendations.

Conclusion – Response accepted.

- IV-L-12 Release of Claim – The City has not obtained release of claim forms from the Centerville Community School District and Appanoose County in relation to disputed payment in lieu of tax monies. It appears that over two years ago the City has met the terms of the agreements with the Centerville Community School District and Appanoose County in relation to the disputed payment in lieu of tax monies. However, the City has still not obtained release of claim forms from these entities in relation to this issue.

Recommendation – The City implement procedures to ensure release of claim forms are obtained from the Centerville Community School District and Appanoose County in relation to the disputed payment in lieu of tax monies.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Response – We are in the process of implementing this recommendation.

Conclusion – Response accepted.

- IV-M-12 Bid Procedures – In fiscal year 2012, the City completed a street reconstruction project for over \$400,000 for which a public hearing was not held and sealed bids were not obtained, even though this is required by Chapter 26 of the Code of Iowa.

Recommendation – The City implement procedures to ensure that the Code of Iowa requirements are met in relation to obtaining sealed bids and holding a public hearing on applicable construction projects.

Response – We will implement this recommendation.

Conclusion - Response accepted.

- IV-N-12 Purchasing Policy – The City's revised purchasing policy dated June 7, 2010, implies that a purchase of products and materials in excess of \$10,000 can be purchased by the department heads without the City Council's prior approval if the department has the funds in its budget in order to cover the related cost. In addition, it appears that the City's department heads have always had the authority to purchase products and materials which cost less than \$10,000 without the City Council's prior approval.

Recommendation – The City Council should establish an appropriate maximum dollar amount that a department head could purchase without the City Council's prior approval, regardless if the purchase was in the City budget. In addition, the City should implement procedures to ensure department heads follow this policy.

Response – We will review this area in detail to come up with a workable solution.

Conclusion – Response accepted.

- IV-O-12 Sewer User Charge – The City did not increase its sewer user charge on July 1, 2011, as required by City ordinance number 1292.

Recommendation - The City implement procedures to ensure its ordinance is complied with in regards to the sewer user charge. The City should also consult with legal counsel in relation to this issue.

Response - We will implement this recommendation.

Conclusion – Response accepted.

- IV-P-12 Disbursements – We noted that the City overpaid a construction contractor by approximately \$46,000 during fiscal year 2012.

Recommendation – The City implement procedures to ensure payments to contractors are supported by adequate source documentation. In addition, the City should also review the above situation and request reimbursement for the overpayment.

Response – The engineer identified the problem in fiscal year 2013, and this situation was corrected in fiscal year 2013.

Conclusion – Response accepted.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

IV-Q-12 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from the fund as provided in Chapter 403.19 of the Code of Iowa. Such certification makes it the duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19 (5 ) (b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or for any other reason to the County Auditor.

We noted the following related to the City's TIF:

- a) The City refunded a general obligation bond in fiscal year 2011 in order to reduce the City's interest costs. In prior years, the City used the TIF receipts to pay the principal and interest on this bond since the proceeds of this bond were used on TIF projects. However, the City has not certified to the County Auditor the amount of reductions resulting from a reduction in interest charges on this bond.
- b) The City paid \$1,102 of legal fees from the Special Revenue, Urban Renewal Tax Increment Fund. These costs do not represent TIF debt and, accordingly, are not allowable uses of the tax increment financing receipts in accordance with Chapter 403.19 of the Code of Iowa.

Recommendation – The City should work with TIF legal counsel to determine the proper disposition of these matters.

Response – We will implement this recommendation.

Conclusion – Response accepted.



City of Centerville

Corrective Action Plan for Federal Audit Findings

Year Ended June 30, 2012

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
III-A-12	Preparation of Schedule of Federal Awards	This will be implemented for fiscal year 2013.	Joyce Davis City Clerk (641) 437-4339	June 30, 2013
III-B-12	Subrecipient Monitoring	This will be implemented on future contracts with subrecipients. We will also implement monitoring procedures of our subrecipients.	Joyce Davis City Clerk (641) 437-4339	Immediately
III-C-12	Engineer Procurement	This will be implemented on future engineer procurements.	Joyce Davis City Clerk (641) 437-4339	Immediately
III-D-12	Cash Management	This will be implemented.	Joyce Davis City Clerk (641) 437-4339	Immediately
III-E-12	Grant Administrator Procurement	This will be implemented on future grant administrator procurements.	Joyce Davis City Clerk (641) 437-4339	Immediately

City of Centerville

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

Comment Number	Comment Title	Status	If not corrected, please provide planned corrective action plan or other explanation
III-A-11	Council Minutes	Corrective action taken.	
III-B-11	Preparation of Schedule of Federal Awards	Not corrected.	We will implement this in the future.
III-C-11	Subrecipient Monitoring	Not corrected.	We will implement this in the future.
III-D-11	Notice of Public Hearing For Public Improvements	Corrective action taken.	
III-E-11	Engineer Procurement	Not corrected.	We will implement this in the future.
III-F-11	Grant Administrator Procurement	Not corrected	We will implement this in the future.